

**PLYMOUTH COUNTY AREA
SOLID WASTE AGENCY
Independent Auditors' Report
June 30, 2004**

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Plymouth County Area Solid Waste Agency:

We have audited the financial statements of the business-type activity of PLYMOUTH COUNTY AREA SOLID WASTE AGENCY as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the financial statements of the business type activities referred to above present fairly, in all material respects, the respective financial position of the business-type activity of Plymouth County Area Solid Waste Agency as of June 30, 2004, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles

In accordance with *Government Auditing Standards* we have also issued a report dated September 9, 2004 on our consideration of Plymouth County Area Solid Waste Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
September 9, 2004

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dave VanderHamm	Board Member and Executive Board	City of Remsen
Rick Bohle	Board Member and Executive Board	City of Kingsley
Dennis Slota	Board Member and Executive Board	City of Remsen
Joe De Young	Board Member	City of Craig
Keith Towns	Board Member	City of Hinton
Ray Lubben	Board Member	City of Brunsville
John Lucken	Board Member	City of Akron
Charlie Eufers	Board Member and Executive Board	City of Le Mars
JoAnn Eden	Board Member	City of Westfield
Steve Swalve	Board Member	City of Oyens
Joe Vollmecke	Board Member and Executive Board	City of Struble
Robert B. Plendl	Board Member	City of Kingsley
George Barkley	Board Member	City of Merrill
Linda Bohnenkamp	Board Member	City of Remsen
Stuart Harris	Board Member	City of Akron
Judy Barnable	Office/Scale	

MANAGEMENT'S DISCUSSION AND ANALYSIS

Plymouth County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues increased 5% or \$39,619, from the fiscal 2003 to fiscal 2004. Hauling charges increased and other revenues remained nearly constant.
- The Agency's operating expenses were 7.6%, or \$62,808, less in fiscal 2004 than in fiscal 2003.
- The Agency's net assets increased 8.5%, or \$88,775, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Plymouth County Area Solid Waste Agency is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Plymouth County Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal 2004 totaled approximately \$1,137,000. This compares to approximately \$1,048,000 for fiscal 2003. A summary of the Agency's net assets is presented below.

Net Assets		
	June 30,	
	2004	2003
Current assets	\$ 735,594	\$ 605,198
Restricted investments	423,959	397,105
Capital assets at cost, less accumulated depreciation	724,133	787,146
Total assets	1,883,686	1,789,449
Current liabilities	71,432	65,970
Noncurrent liabilities	675,000	675,000
Total liabilities	746,432	740,970
Net assets:		
Invested in capital assets, net of related debt	724,133	787,146
Unrestricted	413,121	861,333
Total net assets	\$ 1,137,254	\$ 1,048,479

22.5% of the Agency's net assets are restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (64%, e.g., land, buildings and equipment), portion of net asset are resources allocated to capital assets. The remaining net assets (13.5%) are the unrestricted net assets that can be used to meet the Agency's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for hauling charges from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2004 and June 30, 2003 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2004	2003
OPERATING REVENUES		
Assessments	\$ 247,015	\$ 247,015
Monthly Hauling Charges	437,884	326,194
Commercial Scale Charges	78,348	173,493
Other Operating Revenues	50,057	26,983
Total Operating Revenues	813,304	773,685
OPERATING EXPENSES		
Trucking Expense	4,757	3,975
Recycling Costs	336,854	337,413
Salaries and Wages	121,791	135,689
Payroll Taxes	16,295	16,715
Utilities	5,541	7,403
Insurance	73,378	65,783
Board Expense	4,941	2,815
Office Expense	6,742	5,951
Professional Fees	16,341	30,266
Custom Work	35,524	39,862
Repairs and Maintenance	22,913	34,115
Fuel and Oil	19,382	14,232
Dirt	17,487	20,720
Hazardous Waste Disposal C	17,841	11,914
Other Operating Expenses	4,951	1,675
Miscellaneous		7,646
Depreciation/Capital Outlay	56,704	88,070
Total Operating Expenses	761,442	824,250
Operating Income (Loss)	51,862	(50,565)
NON-OPERATING REVENUE:		
Interest on Investments	36,913	40,058
Change in Net Assets	88,775	(10,507)
Net Assets Beginning of Year	1,048,479	1,058,986
Net Assets End of Year	\$ 1,137,254	\$ 1,048,479

The statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2004, operating revenues increased by \$39,619, or 5%, primarily a result of hauling charges increasing by approximately \$17,000 due to an increase in the volume of collections. Operating expenses decreased by \$62,808, or 7.6%. The decrease was primarily a result of a decrease of capital outlay versus depreciation of approximately \$30,000, salaries by approximately \$15,000 and professional fees by approximately \$15,000.

Statement of Cash Flows

The statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes hauling charges and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At June 30, 2004, the Agency had approximately \$724,000 invested in capital assets, net of accumulated depreciation of approximately \$555,000. Depreciation charges totaled \$56,704 for fiscal 2004. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2004, the Agency had no outstanding long-term debt.

ECONOMIC FACTORS

Plymouth County Area Solid Waste Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Plymouth County Area Solid Waste Agency, 34898 150th St., Le Mars, Iowa.

FINANCIAL STATEMENTS

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Statement of Net Assets
June 30, 2004

ASSETS

Current Assets

Cash and Cash Equivalents (Note 2)	\$ 254,029
Investments (Note 2)	373,780
Receivables:	
Accounts Receivable	24,014
Accrued Interest	4,563
Due from Other Governments	59,548
Prepaid Insurance	19,660
Total Current Assets	<u>735,594</u>
Restricted Assets:	
Temporary Cash Investments (Note 2)	423,959
Capital Assets (net of accumulated depreciation)	724,133
Total Assets	<u><u>1,883,686</u></u>

LIABILITIES

Current Liabilities

Accounts Payable	44,185
Accrued Wages and Compensated Absences	7,693
Other Accrued Liabilities	2,887
Unearned Revenue	16,667
Total Current Liabilities	<u>71,432</u>

Long Term Liabilities

Estimated Liability for Landfill Closure and Postclosure Care Costs (Note 3)	675,000
Total Liabilities	<u><u>817,864</u></u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	724,133
Unrestricted	413,121
Total Net Assets	<u><u>\$ 1,137,254</u></u>

See Accompanying Notes to Financial Statements

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

OPERATING REVENUES

Assessments	\$ 247,015
Monthly Hauling Charges	437,884
Commercial Scale Charges	78,348
Other Operating Revenues	50,057
Total Operating Revenues	<u>813,304</u>

OPERATING EXPENSES

Trucking Expense	4,757
Recycling Costs	336,854
Salaries and Wages	121,791
Payroll Taxes	16,295
Utilities	5,541
Insurance	73,378
Board Expense	4,941
Office Expense	6,742
Professional Fees	16,341
Custom Work	35,524
Repairs and Maintenance	22,913
Fuel and Oil	19,382
Dirt	17,487
Hazardous Waste Disposal Costs	17,841
Other Operating Expenses	4,951
Depreciation	56,704
Total Operating Expenses	<u>761,442</u>

Operating Income	<u>51,862</u>
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NON-OPERATING REVENUES

Interest on Investments	<u>36,913</u>
Change in Net Assets	88,775
Net Assets Beginning of Year	<u>1,048,479</u>
Net Assets End of Year	<u><u>\$ 1,137,254</u></u>

See Accompanying Notes to Financial Statements

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Statement of Cash Flows
For the Year Ended June 30, 2004

Cash Flows from Operating Activities:	
Cash Received from Assessments	\$ 274,012
Cash Received from Monthly Hauling Charges	431,208
Cash Received from Commercial Scale Charges	78,348
Cash Received from Other Operating Receipts	50,116
Cash Paid to Suppliers for Goods and Services	(528,225)
Cash Paid to Employees for Services	(173,327)
Net Cash Provided by Operating Activities	<u>132,132</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(12,891)</u>
Cash Flows from Investing Activities:	
Purchase of Investments	(34,913)
Interest Received	36,767
Net Cash Provided by Investing Activities	<u>1,854</u>
Net Increase in Cash and Cash Equivalents	121,095
Cash and Cash Equivalents Beginning of Year	<u>132,934</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 254,029</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 51,862
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	56,704
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	26,738
(Increase) in Due from Other Governments	(8,115)
(Increase) in Prepaid Insurance	(519)
Increase in Accounts Payable	4,497
Increase in Accrued Wages and Compensated Absences	283
(Decrease) in Other Accrued Liabilities	(1,075)
Increase in Deferred Revenue	1,757
Total Adjustments	<u>80,270</u>
Net Cash Provided by Operating Activities	<u><u>\$ 132,132</u></u>

See Accompanying Notes to Financial Statements

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PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies

Plymouth County Area Solid Waste Agency was formed in 1973 pursuant to the provisions of Chapter 28F of the Code of Iowa. The purpose of the Plymouth County Area Solid Waste Agency is to operate the sanitary landfill in Plymouth County, Iowa, for use by all the municipalities therein.

The Plymouth County Area Solid Waste Agency is composed of one representative of each of the eleven member cities and four representatives from Plymouth County. The member cities are: Akron, Brunsville, Craig, Hinton, Kingsley, Le Mars, Merrill, Oyens, Remsen, Struble and Westfield.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts for the Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies – (Continued)

The Agency applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 include unrestricted certificates of deposit of \$373,780, and restricted certificates of deposit of \$423,959.

Restricted Investments – Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of \$1,000.

Depreciation is computed using the straight-line method over useful lives ranging from 5 to 40 years.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies – (Continued)

Compensated Absences – The Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Agency's liability for accumulated vacation as been computed based on rates of pay in effect at June 30, 2004.

Note 2 - Cash and Investments

The Agency's deposits (demand deposits and certificates) at June 30, 2004 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3 - Closure and Postclosure Care Costs

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and post closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2004

Note 3 - Closure and Postclosure Care Costs – (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Plymouth County Area Solid Waste Agency have been estimated at \$675,000 as of June 30, 2004, and the entire liability that have been recognized. This is based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is a half year and the capacity used at June 30, 2004 is 99.1%. Additional trenches will be available within the next year; therefore, the remaining life without vertical expansion will be increased to 17 years and capacity used will decrease to 21%.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun accumulating resources to fund these costs and, at June 30, 2004, assets of \$423,959 are restricted for these purposes, of which \$100,755 is for closure and \$323,204 is for postclosure care. They are reported as restricted investments.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2004

Note 4 - Capital Assets

A summary of capital assets at June 30, 2004 is as follows:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 30,000	-	-	\$ 30,000
Capital Assets being depreciated:				
Buildings and Improvements	686,544	-	-	686,544
Equipment and Vehicles	539,400	\$ 12,892	-	552,292
Infrastructure	10,000	-	-	10,000
Total capital assets being depreciated	1,235,944	12,892	-	1,248,836
Less accumulated depreciation for:				
Buildings and Improvements	252,322	22,639	-	274,961
Equipment and Vehicles	242,677	33,965	-	276,642
Infrastructure	3,000	100	-	3,100
Total accumulated depreciation	497,999	56,704	-	554,703
Total capital assets being depreciated, net	737,945	(43,812)	-	694,133
Total capital assets, net	\$ 767,945	\$ (43,812)	-	\$ 724,133

Note 5 - Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 400 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2004

Note 5 - Risk Management – (Continued)

members' basis rates or to comply with the requirements of any applicable regulatory authority over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

Note 6 - Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$6,840, \$7,436, and \$7,601, respectively, equal to the required contributions for each year.

Note 7 – Accounting Change

For the year ended June 30, 2004, the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Plymouth County Area Solid Waste Agency:

We have audited the financial statements of the business-type activity of the Plymouth County Area Solid Waste Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated September 9, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 04-A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams & Langley, P.C.
Certified Public Accountants

Le Mars, Iowa
September 9, 2004

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Schedule Of Findings
Year Ended June 30, 2004

Finding Related to the Financial Statements:

REPORTABLE CONDITION:

04-A **Segregation of Duties** – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control over each of the following areas for the Agency:

- (1) Accounting System – record keeping for revenues and expenses, and
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to master list, preparation and distribution.
- (4) Bank Reconciliation – preparation and maintenance of accounting records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Conclusion - Response accepted.

Other Findings Related to Statutory Reporting

- 04-1 **Official Depositories** – A resolution naming official depositories has been adopted by the agency.
- 04-2 **Questionable Expenses** – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 04-3 **Travel Expense** – No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- 04-4 **Board Minutes** – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- 04-5 **Deposits and Investments** – The Agency has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Schedule Of Findings
Year Ended June 30, 2004

- 04-6 **Financial Assurance** – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 675,000
Divided by the lesser of ten years or the remaining life of the landfill.	÷ 10
Required initial payment into the local dedicated fund	\$ <u>67,500</u>
Amount Agency has restricted and designated for closure and postclosure care.	\$ <u>423,959</u>

- 04-7 **Business Transactions** – Business transactions between the Agency and Agency officials and/or employees are detailed as follows:

<u>Name, Title & Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Spouse of office manager, owner of Barnable Repair	Air conditioner Repair	\$ 290

The transaction with Barnable Repair is not of significance and does not represent a conflict of interest.